



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 19, 2008

Ms. Michele Meadows
Assistant Director of Administration
Office of Traffic Safety
2208 Kausen Drive, Suite 300
Elk Grove, CA 95758

Dear Ms. Meadows:

Final Report—City of Berkeley, Office of Traffic Safety Grant Agreement PS0627

The Department of Finance, Office of State Audits and Evaluations, has completed a desk audit of the City of Berkeley's (City) grant agreement PS0627 for the period October 1, 2005 through December 31, 2007. The grant agreement provided funding for the Youth Focused Bicycle and Pedestrian Injury Prevention Program.

The enclosed report is for your information and use. The City's response to the report findings is incorporated into this final report. The City agreed with our observations and we appreciate its willingness to implement corrective actions.

We appreciate the assistance and cooperation of the City's staff. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Ms. Lisa Caronna, Deputy City Manager, City of Berkeley
Ms. Tasha Tervalon, Injury Prevention Coordinator, City of Berkeley
Ms. Kristi Choi, Associate Management Analyst, City of Berkeley

GRANT AUDIT

City of Berkeley

Youth Focused Bicycle and Pedestrian
Injury Prevention Program

Grant Agreement PS0627

For the Period October 1, 2005
through December 31, 2007

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE AUDIT TEAM

Kimberly A. Tarvin, CPA
Manager

Rich Hebert
Supervisor

Staff

Dennis Solheim, CPA

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

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Background

The Business, Transportation, and Housing Agency's Office of Traffic Safety (OTS) is charged with the responsibility of obtaining and distributing federal funds in an effort to carry out the direction of the National Highway Safety Act. The federal funds are designed to mitigate traffic safety problems as defined by the Highway Safety Plan. Currently, there are eight program priority areas earmarked for grant funding: Alcohol and Other Drugs, Occupant Protection, Pedestrian and Bicycle Safety, Emergency Medical Services, Traffic Records, Roadway Safety, Motorcycle Safety, and Police Traffic Services.

The City of Berkeley, Public Health Division (City), received \$324,074 through grant agreement PS0627 for the Youth Focused Bicycle and Pedestrian Safety Education and Prevention Program. The program includes the following components:

- Teaching bicycle and pedestrian safety to elementary and middle school aged children.
- Hands-on interactive learning techniques.
- Hosting community-wide public events.
- Performing surveys of helmet use.
- Increasing community participation on the Pedestrian Planning Process conducted by the Office of Transportation.
- Collaboration with local community based organization, Berkeley elementary and middle after school programs, and other appropriate agencies.

Scope

The Department of Finance, Office of State Audits and Evaluations (Finance), conducted a desk audit of the City's Youth Focused Bicycle and Pedestrian Safety Education and Prevention Program grant agreement PS0627 for the period October 1, 2005 through December 31, 2007.

The objective of the audit was to determine whether the City's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate the fiscal compliance, we obtained an understanding of the related internal controls.

The City is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations and grant requirements. We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not assess the efficiency or effectiveness of program operations. The OTS is responsible for evaluating the efficiency and effectiveness of the program operations.

Methodology

To determine whether grant revenues and expenditures were in compliance with applicable laws, regulations and the grant requirements, we performed the following procedures:

- Interviewed key personnel by telephone.
- Obtained an understanding of the grant related internal controls.
- Examined the grant files.
- Reviewed the City's accounting records.
- Determined whether a sample of expenditures were:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
- Determined whether the City met the project objectives established in the grant agreement.

The results of the audit are based upon our review of documentation and other information made available to us. The audit was conducted during the period June through November 2008.

Results

Finance completed a desk audit of grant agreement PS0627 which provided funds for the City of Berkeley's (City) Youth Focused Bicycle and Pedestrian Injury Prevention Program. Based on the audit, the City received payment for eligible costs as illustrated in Table 1 below.

Table 1

Grant Agreement PS0627		
For the Period October 1, 2005 through December 31, 2007		
Categories	Total Paid	Amount Questioned
Personnel	\$175,993	\$ 0
Travel	5,408	0
Contractual Services	15,000	0
Equipment	39,408	0
Other Direct Costs	72,195	0
Indirect Costs	16,070	0
Total	\$324,074	\$ 0

While the City complied with most grant requirements, we identified the following observations:

OBSERVATION 1: Only 672 of the 3,000 Helmets Purchased Were Distributed at the End of the Grant Period

The City indicated that it experienced delays in hiring qualified staff to begin the program. Therefore, the activities for the objectives were not completed on a consistent basis until the final year of the grant. As a

result, the goal of distributing all 3,000 helmets was not met. The required objectives are specified in the grant agreement.

Recommendation: Develop and implement a plan to distribute the rest of the helmets and meet the grant agreement requirement.

OBSERVATION 2: Employee Benefit Costs and Hourly Salary Rates Exceeded the Rates Approved by the Office of Traffic Safety

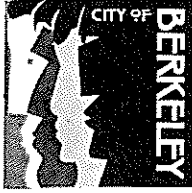
Based on the audit, we identified the following:

- The City claimed employee benefit costs at 61.7 percent of salaries when only 52 percent was approved by the Office of Traffic Safety (OTS). However, this did not materially affect the claims paid because OTS reduced the final invoice by \$9,400 because the total amount billed exceeded the maximum grant award. This reduction accounted for all but \$425 of the over claimed employee benefit costs.
- The City claimed hourly rates in excess of the approved hourly rates for all three of the positions allocated to this grant agreement on the final invoice resulting in an over claim of \$1,440.

The grant agreement budget establishes the approved employee benefit rates and hourly salary rates. While the over claimed amount is immaterial, these weaknesses could result in significant questioned costs on future grants. Furthermore, failure to comply with any term or condition of the contract agreement may result in future withholding or disallowing of grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Recommendation: Ensure that the approved employee benefit and hourly rates are not exceeded on future grants received from OTS.

R_{RESPONSE}



December 11, 2008

David Botelho, Chief
Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

SUBJECT: City of Berkeley, Office of Traffic Safety Grant Agreement PS0627

This letter serves as the City of Berkeley's response to the draft report received on November 20, 2008, regarding the desk audit of the City's grant agreement PS0627 for the period October 1, 2005 through December 31, 2007. The grant agreement provided funding for the Youth Focused Bicycle and Pedestrian Injury Prevention Program.

Attached is the November 20th draft report from your office, for reference. Thank you for extending our time period to respond until December 15, 2008.

In response to Observation 1, on page 3 of the draft report:

OBSERVATION 1: Only 672 of the 3,000 Helmets Purchased Were Distributed at the End of the Grant Period.

As noted in your report, the City experienced delays in hiring qualified staff to begin the program, and the activities were not completed on a consistent basis until the final year of the grant.

In an effort to meet the goals of grant agreement PS0627, since the end of the grant period, the City has developed and implemented a plan to distribute the remaining 2,328 helmets. Under that plan, the City has distributed an additional 866 helmets, and is on track to distribute an additional 500 helmets by the end of Fiscal Year 2008-09, 500 helmets in FY 2009-10, and the remaining 462 in FY 2010-11. If we exceed the planned distribution, the final year's numbers will be adjusted accordingly. Under our plan, we will have met the distribution goal by no later than September 2011. To meet the goal of grant agreement PS0267, the City acknowledges that we need to exceed the goals of current grants and that helmets cannot be counted toward both goals.

In response to Observation 2, on pages 3-4 of the draft report:

OBSERVATION 2: Employee Benefit Costs and Hourly Salary Wages Exceeded the Rates Approved by the Office of Traffic Safety.

As noted in the draft audit report, in 2006, the City requested and received an increase in its allowed benefits rate per OTS from 40% to 52%. The City of Berkeley provides a generous benefits package to its employees and at present time, the average rate for a City employee is estimated by our Budget Office to be 56.61%. The actual rate for each employee varies widely, depending on factors such as the number of dependents covered at the time the estimated rate was calculated, and the extent to which the employee participates in the benefit programs offered by the City.

Toward the beginning of the grant period, the City submitted its request to OTS to raise its recoverable benefits rate from 40% to 52%, which was the average City rate at the time the request was submitted. In actuality, the employees assigned to the program averaged a combined rate of 61.7%. This is not unusual given the broad spectrum of benefit rates per staff person and the variables that affect these rates. With only three staff assigned to this program, the actual rate was more susceptible to a wider variance from the 52% average.

If the City is awarded future grants from OTS, a more detailed review of the actual benefits costs per assigned staff will occur prior to the budget submittal, and the City will review the actual benefits rates on a regular basis over the grant period and submit allowable requests for adjustments to the budget as needed, or make internal adjustments to staffing if necessary.

The draft audit report also notes that the City claimed hourly rates in excess of the approved hourly rates for all three of the positions allocated to the grant agreement. The City finds that these were actual costs incurred by the City due to staff promotions and Cost of Living Adjustments (COLAs) that occurred during the grant period.

If the City is awarded future grants from OTS, a projection of adjusted salaries with COLAs and possible promotions during the grant period will be reviewed and considered in our determination of the personnel budget for the grant.

In summary, the City appreciates the recommendations made by the DOF through its desk audit of grant PS0627 and this opportunity to respond to observations made.

Sincerely,



Lisa Caronna
Deputy City Manager

Enclosures

DOF Audit Details and Review

GRANT #	AUDIT #	AGENCY	YEAR AUDIT CONDUCTED	AUDIT STATUS	DATE FINAL REPORT	DATE CLOSEOUT LETTER MAILED	RESOLUTION DATE
PS0627	1	Berkeley	2008	Audit Closed	12/19/2008		12/19/2008
ITEM #	DATE	FINDINGS	RESPONSE				

- | | | | |
|---|-----------|--|--|
| 1 | 12/19/200 | OBSERVATION 1 - 672 OF THE 3,000 HELMETS PURCHASED WERE DISTRIBUTED AT THE END OF THE GRANT PERIOD | Grantee experienced delays in hiring; in an effort to meet the goals of the grant the grantee has developed and implemented a plan to distribute the remaining helmets |
| 2 | 12/19/200 | OBSERVATION 2 - EMPLOYEE BENEFIT COSTS/HOURLY SALARY RATES EXCEEDED THE RATES APPROVED BY OTS | Grantee claimed actual benefit rates; in the future grantee will monitor rates on a regular basis and request adjustments to the budet as needed or adjust staffing as necessary |